

# Staff Summary

<b>Subject</b> <b>LEASE AGREEMENT FOR STILLWELL AVENUE TERMINAL COMPLEX</b>
<b>Department</b> <b>REAL ESTATE</b>
<b>Department Head Name</b> <b>JOHN N. LIEBER</b>
<b>Department Head Signature</b> 
<b>Project Manager Name</b> <b>RAYMOND SMYTH</b>

<b>Date</b> <b>MAY 20, 2019</b>
<b>Vendor Name</b>
<b>Contract Number</b>
<b>Contract Manager Name</b>
<b>Table of Contents Ref. #</b>

Board Action					
Order	To	Date	Approval	Info	Other
1	Finance Committee	5/20/19	X		
2	Board	5/22/19	X		

Internal Approvals			
Order	Approval	Order	Approval
1	Legal		
2	Chief Development Officer		
3	Chief of Staff		
4	Chief Financial Officer		

**AGENCY:** MTA New York City Transit ("NYCT")  
**LESSEE:** CAI Foods, Inc.  
**LOCATION:** Stillwell Avenue Terminal Complex, Coney Island, Brooklyn  
**ACTIVITY:** Lease of 9 retail spaces for food and retail use  
**ACTION REQUESTED:** Authorization to enter into a lease agreement  
**TERM:** Fifteen (15) years plus one five-year option term  
**SPACE:** 6,965± sq. ft.  
**RENT:** \$450,000 for lease year 1 with 3% annual increases through lease year 15

## COMMENTS:

MTA Real Estate issued a Request for Proposals ("RFP") seeking a lease for 9 of the 11 retail units at the Stillwell Avenue Terminal Complex in June 2018. Prospective respondents could propose on one, multiple, or all locations offered in the RFP. MTA Real Estate defined the objectives and goals of the RFP to include the following:

- Develop and manage innovative food and retail concepts that have a broad range of high-quality offerings
- Provide architectural designs that are attractive to customers, and are reflective of the Coney Island community
- Develop a retail concept that highlights merchandise from Coney Island and the surrounding Brooklyn neighborhoods

All retail units offered in the lease were occupied at the time of the RFP. A total of 25 proposals were received for one or more of the 9 retail units. The RFP yielded no responses for a master lessee who would lease and/or operate all 9 units.

The combined suggested annual rent for the 9 units was \$363,140. The total combined proposed rent for Year 1 of the term was \$498,520. Upon review of the proposals, MTA Real Estate determined that the tenant mix afforded by the top bidders, in the aggregate, did not meet the defined objectives and goals established by the RFP. In addition, the multiple proposed concepts contained a similar use and merchandise mix, thus rendering the physical layout of the units impracticable.

# Staff Summary

## FINANCE COMMITTEE MEETING

### LEASE AGREEMENT FOR STILLWELL AVENUE TERMINAL COMPLEX (Cont'd.)



Metropolitan Transportation Authority

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Subsequent to the initial proposal review, MTA Real Estate issued a 'Notice to Respondents' that invited the original proposers to re-submit proposals for the units, including proposals for units that were not included in their original proposals. The 'Notice to Respondents' also allowed the initial proposers to submit a 'Best and Final Offer' for particular units that they wanted to be considered for.

Pursuant to the 'Notice to Respondents', a single proposer submitted a proposal to lease all 9 of the units offered in the RFP. The proposer, CAI Foods, Inc., whose sibling entity, Central Amusement International Inc., operates the Luna Park amusement park in Coney Island, proposed a combined rent of \$450,000 for Year 1 of the term, which was consistent with the estimated fair market rent as determined by an independent appraisal for the 9 units. The RFP provided for a 10-year term, subject to adjustment based on the amount of capital invested by the successful proposer. At a 7% discount rate and 15-year term, the rental stream yields a net present value of \$4,897,360.53. If the option term is exercised, CAI Foods will pay the greater of 3% annual increases or Fair Market Value (FMV). CAI Foods has proposed to combine multiple units within the terminal, the largest of which, "Rcade" and "Trax", will be operated by the proposer and open for business throughout the year. The remaining units will be subleased to independent operators and will be open on a seasonal basis. The proposed concepts are listed below:

Concept	Use
Rcade	Arcade with restaurant and bar
Trax	Coffee shop serving breakfast, lunch and dinner
Souvenir / Clothing	Local, boutique clothing brand
Visitors Center	Visitors center for Coney Island
Gift Shop	Gift Shop selling Luna Park merchandise
Coney Island Beach Shop	Local beach store owner selling beach necessities

The proposer's strong financial background and innovative proposal of mixed food and retail concepts meets the objectives outlined in the RFP. Antonio Zamperla will provide a limited guaranty of tenant's obligations under the lease, including its obligation to complete the tenant improvements.

Based on the foregoing, MTA Real Estate requests authorization for New York City Transit to enter into a lease agreement with CAI Foods Inc. for the 9 retail units offered in the RFP in accordance with the above-described terms and conditions.